

SENATE, No. 2087

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MARCH 3, 2022

Sponsored by:

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

SYNOPSIS

Establishes a manufacturing reinvestment account program to incentivize capital investment and workforce training in New Jersey with income tax rate reductions, deferrals, and accelerated deductions.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT establishing a manufacturing reinvestment account
2 program, supplementing Title 54 of the Revised Statutes and
3 Title 54A of the New Jersey Statutes.

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5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

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8 1. a. A qualified manufacturer shall be allowed to deduct
9 against entire net income for the privilege period the amount
10 contributed to a manufacturing reinvestment account in the
11 privilege period. The deduction allowed pursuant to this subsection
12 for a privilege period shall not exceed \$100,000. Amounts
13 contributed and deducted pursuant to this subsection shall not be
14 eligible for deduction or capitalization upon disposition in a
15 qualified reinvestment expenditure or otherwise.

16 b. (1) To the extent not distributed from a manufacturing
17 reinvestment account in the privilege period, a qualified
18 manufacturer's entire net income shall not include earnings on a
19 manufacturing reinvestment account contribution or accrued
20 deposit.

21 (2) To the extent distributed and used for a qualified
22 reinvestment expenditure in the privilege period, deposits shall not
23 be treated as entire net income, and earnings from a manufacturing
24 reinvestment account shall be included in entire net income, but the
25 earnings shall be subject to one-half of the rate of tax imposed
26 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), except that
27 this rate reduction shall not apply to the computation of minimum
28 tax due. All other distributions of deposits and earnings from a
29 manufacturing reinvestment account shall be included in a qualified
30 manufacturer's entire net income subject to the tax imposed
31 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5).

32 c. (1) To qualify for the tax benefits allowed pursuant to this
33 section a taxpayer shall not deposit more than \$100,000 in the
34 manufacturing reinvestment account for a privilege period. A
35 taxpayer shall not be allowed more than one manufacturing
36 reinvestment account. The tax benefits associated with a
37 manufacturing reinvestment account shall only apply to the five
38 consecutive privilege periods beginning with the privilege period in
39 which the taxpayer first makes a deposit to the manufacturing
40 reinvestment account. Amounts remaining in a manufacturing
41 reinvestment account after the fifth privilege period shall be deemed
42 to be distributed and previously not included earnings shall be
43 included in entire net income subject to the tax imposed pursuant to
44 section 5 of P.L.1945, c.162 (C.54:10A-5).

45 (2) The amount of a qualified reinvestment expenditure
46 distribution from a manufacturing reinvestment account
47 representing previously not included account earnings to be
48 included in entire net income for the privilege period of distribution

1 and subject to the reduced rate of taxation allowed by this section
2 shall be determined by applying the percentage that the total
3 distribution represents of the total amount deposited by the taxpayer
4 into the manufacturing reinvestment account to the date of the
5 distribution against the total amount of previously not included
6 earnings in the manufacturing reinvestment account to the date of
7 the distribution.

8 (3) The Director of the Division of Taxation in the Department
9 of the Treasury shall prescribe basis adjustments for qualified
10 reinvestment expenditure items to the extent required and the order
11 of application of deductions against entire net income relative to the
12 rate reduction allowed pursuant to this section.

13 d. The Department of the Treasury shall establish criteria and
14 guidelines to qualify a manufacturer so that the manufacturers may
15 establish a reinvestment account pursuant to the provisions of this
16 section.

17 e. As used in this section:

18 “Manufacturing facility” means a commercial product
19 production or assembly site located in New Jersey.

20 “Manufacturing reinvestment account” means an interest bearing
21 account that solely accepts cash deposits, which is held by a New
22 Jersey financial institution.

23 “New Jersey financial institution” means a State or federally
24 chartered bank, savings bank, savings and loan association, or credit
25 union with an office in this State.

26 “Qualified manufacturer” means a taxpayer that is in a line of
27 business involving manufacturing, is in good standing with respect
28 to State tax responsibilities, and employs no more than fifty
29 employees.

30 “Qualified reinvestment expenditure” means the use of a
31 manufacturing reinvestment account distribution to make payment
32 for: (1) machinery or equipment for use in the taxpayer’s
33 manufacturing facility; or (2) New Jersey personnel workforce
34 training, development, or expansion at the taxpayer’s manufacturing
35 facility.

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37 2. a. A qualified manufacturer shall be allowed to deduct
38 against gross income for the taxable year the amount contributed to
39 a manufacturing reinvestment account in the taxable year. The
40 deduction allowed pursuant to this subsection for a taxable year
41 shall not exceed \$100,000. Amounts contributed and deducted
42 pursuant to this subsection shall not be eligible for deduction or
43 capitalization upon disposition in a qualified reinvestment
44 expenditure or otherwise.

45 b. (1) To the extent not distributed from a manufacturing
46 reinvestment account in the taxable year, a qualified manufacturer’s
47 gross income shall not include earnings on a manufacturing
48 reinvestment account contribution or accrued deposit.

1 (2) To the extent distributed and used for a qualified
2 reinvestment expenditure in the taxable year, deposits shall not be
3 treated as gross income, and earnings from a manufacturing
4 reinvestment account shall be included in gross income, but the
5 earnings shall be subject to one-half of the rate of tax imposed
6 pursuant to N.J.S.54A:2-1 with the earnings allocated to the
7 taxpayer's highest tax rate. All other distributions of deposits and
8 earnings from a manufacturing reinvestment account shall be
9 included in a qualified manufacturer's gross income subject to the
10 tax imposed pursuant to the "New Jersey Gross Income Tax Act,"
11 N.J.S.54A:1-1 et seq.

12 c. (1) To qualify for the tax benefits allowed pursuant to this
13 section a taxpayer shall not deposit more than \$100,000 in the
14 manufacturing reinvestment account for a taxable year. A taxpayer
15 shall not be allowed more than one manufacturing reinvestment
16 account. The tax benefits associated with a manufacturing
17 reinvestment account shall only apply to the five consecutive
18 taxable years beginning with the taxable year in which the taxpayer
19 first makes a deposit to the manufacturing reinvestment account.
20 Amounts remaining in a manufacturing reinvestment account after
21 the fifth taxable year shall be deemed to be distributed and
22 previously not included earnings shall be included in gross income
23 subject to the tax imposed pursuant to the "New Jersey Gross
24 Income Tax Act," N.J.S.54A:1-1 et seq.

25 (2) The amount of a qualified reinvestment expenditure
26 distribution from a manufacturing reinvestment account
27 representing previously not included account earnings to be
28 included in gross income for the taxable year of distribution and
29 subject to the reduced rate of taxation allowed by this section shall
30 be determined by applying the percentage that the total distribution
31 represents of the total amount deposited by the taxpayer into the
32 manufacturing reinvestment account to the date of the distribution
33 against the total amount of previously not included earnings in the
34 manufacturing reinvestment account to the date of the distribution.

35 (3) The Director of the Division of Taxation in the Department
36 of the Treasury shall prescribe basis adjustments for qualified
37 reinvestment expenditure items to the extent required and the order
38 of application of deductions against gross income relative to the rate
39 reduction allowed pursuant to this section.

40 d. The Department of the Treasury shall establish criteria and
41 guidelines to qualify manufacturers so that the manufacturers may
42 establish a reinvestment account pursuant to the provisions of this
43 section.

44 e. As used in this section:

45 "Manufacturing facility" means a commercial product
46 production or assembly site located in New Jersey.

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2 account that solely accepts cash deposits, which is held by a New
3 Jersey financial institution.

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6 union with an office in this State.

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8 business involving manufacturing, is in good standing with respect
9 to State tax responsibilities, and employs no more than fifty
10 employees.

11 “Qualified reinvestment expenditure” means the use of a
12 manufacturing reinvestment account distribution to make payment
13 for: (1) machinery or equipment for use in the taxpayer’s
14 manufacturing facility; or (2) New Jersey personnel workforce
15 training, development, or expansion at the taxpayer’s manufacturing
16 facility.

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18 3. This act shall take effect immediately and apply to privilege
19 periods and taxable years beginning on or after the date of
20 enactment.

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STATEMENT

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25 This bill would establish the manufacturing reinvestment account
26 program for the purpose of making it easier for New Jersey’s small
27 manufacturing businesses to invest in manufacturing machinery and
28 equipment, and in workforce development. The bill would
29 incentivize capital investment and workforce training in New Jersey
30 through the use of tax reductions, deferrals, and deductions.

31 The program would be available to manufacturing businesses
32 that are current on their State tax obligations and which have 50 or
33 fewer employees.

34 The bill establishes three types of incentives for qualified
35 businesses through the gross income tax and the corporation
36 business tax:

37 (1) a tax deduction for amounts deposited in a manufacturing
38 reinvestment account for future use on qualified capital purchases
39 and workforce training;

40 (2) deferred taxation on account earnings; and

41 (3) a rate reduction for the earnings on account deposits, upon
42 distribution.

43 Under the program, a small manufacturing business may deposit
44 up to \$100,000 in a manufacturing reinvestment account annually
45 for up to five years. Earnings in an account are not taxed until
46 withdrawn. For withdrawals made during an account’s five-year
47 life for spending on New Jersey based manufacturing equipment,
48 machinery, or workforce development, the business would receive a

S2087 GREENSTEIN

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- 1 one-half rate reduction on the withdrawn account earnings.
- 2 Nonqualified withdrawals are included in whole in taxable income
- 3 without the rate reduction on earnings.